

Lifestyle Innovator

2019 KOLON Industries SUSTAINABILITY REPORT

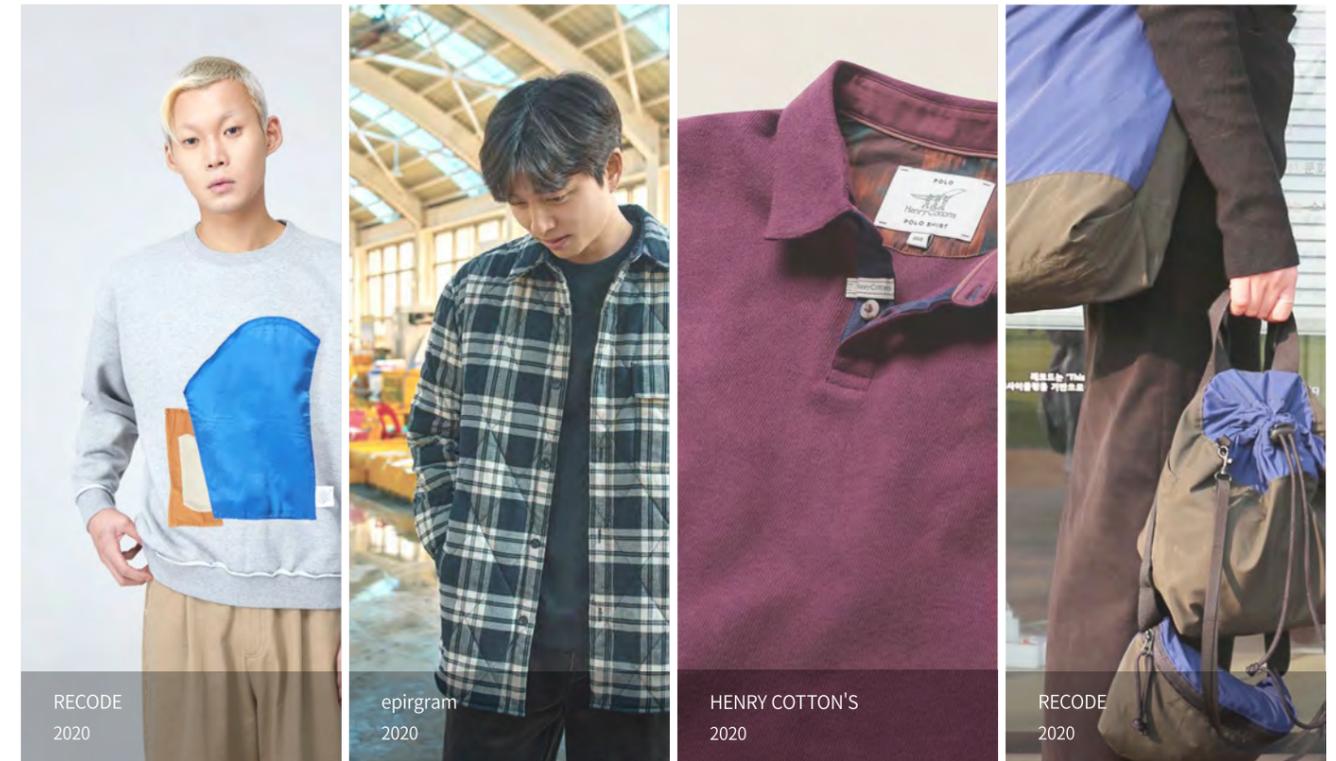


Business Overview_FnC

FnC organization is KOLON Industries' fashion business which started as KOLON SPORT in 1973. The FnC organization has more than 20 brands including its own brands of sportswear, men's clothing, women's clothing and fashion accessories as well as overseas premium labels. Along with these brands, we try to take advantage of competitiveness we gained through KOLON SPORT, SERIES, RECODE and SUECOMMA BONNIE in the markets of China, the U.S., and Europe as a stepping stone to grow into a total brand platform most loved by fashion and culture-loving customers.



KOLON SPORT
2020



RECODE
2020

epigram
2020

HENRY COTTON'S
2020

RECODE
2020

Launch of 'weDO,' Category for Sustainability

FnC organization of KOLON Industries is the first in the domestic fashion industry to add a category for sustainable lifestyle, 'weDO.' 'weDO' is a platform dedicated for sustainability-oriented brands in fashion, beauty as well as lifestyle sectors, and we bring together 30 domestic and overseas brands caring for humans, animals and the environment in the platform. Through the operation of 'weDO,' we aim to raise awareness about sustainability which has been in the spotlight in every corner of society as well as to increase contacts with customers. We are going to deal with not only independent brands but also projects regarding sustainability within FnC, and classify them into four categories including donation, upcycling, eco-friendly materials and vegan to introduce them, putting our focus not only on products but also their brand stories. We also plan to cover a variety of information and subjects in regard to sustainability ranging from terms related to sustainability, eco-friendly materials, the reviews of products, and interviews in the format of editorial, thereby communicating with our customers. 'weDO' is designed to create a virtuous cycle where products contributing to sustainable lifestyle and some portion of profits from them returns to the society. We are going to donate 1% of the profits

we earn through this platform to social enterprises for sustainability projects as well as to create abundant contents so that our customers can keep up with the trend of sustainability through 'weDO.'

'weDO' has 30 brands including FnC KOLON's ones such as KOLON Sports, RECODE, epigram, SERIES, and COURONNE. The representative brands include the collection of Noah Project of KOLON Sports, Re:nano line of RECODE (eco bags and t-shirts made of stock fabrics), Timberland's eco-friendly line, 'VAN DER PIGGE' which is a real organic brand boasting 170 years of history, 'PAPPER' which is a brand using extracts of cedar to make bags and 'JERRYBAG' brand which gives an African child one container for delivering water whenever one bag is sold. In addition, a variety of brands and items are on the website including an eco-friendly denim brand, a hair product brand using natural extracts as ingredients and not conducting animal experiments and a vegan brand certified as a brand using only botanical ingredients.



COO MESSAGE

FnC creates a New Normal for sustainable fashion.

'Sustainability' is an issue that the fashion industry cannot ignore as we have to keep up with the 'spirit of the times' faster than any other field due to the nature of the business. More and more customers put ethical value before economic gains in terms of their standards of living, while demanding businesses to bring more benefits to the world. Against this backdrop, the fashion industry, which inevitably brings about social and environmental problems from the course of design, production, and distribution, can no longer ignore these issues. As a representative fashion company in Korea, KOLON Industries' FnC Organization has continuously lived up to this demand. On top of social contribution activities to help the nation overcome its grave crisis, around 30 brands

have conducted a variety of projects reflecting sustainability value including environment-friendly, shared growth with region, and women, and one of them is 'Noah Project' led by KOLON Sports. In particular, RECODE, an upcycling brand launched for the first time in the industry, is now globally recognized as Korea's leading sustainable brand. Besides, for the first time as a fashion company, we established a sustainable brand platform called 'weDO' in KOLON Mall in 2020.

As we will never be complacent about the achievements through the challenges we have taken so far, FnC Organization would like to take one step further to take our sustainable management to new heights. In order to achieve it, we will first secure transparency in overall value chain of the fashion industry.

We will also strive to become a business that can confidently answer three questions; how do you make it? how much do you make it?, and where do you make it? In addition, we will do our best for the key basic principles of sustainability management, including compliance, human rights, environment, ethics, and fair trade, to permeate every corner of our management. Going forward, the sustainable fashion that FnC Organization suggests will become a 'New Normal' of the era. We wish you to join us on our journey while sharing these values with great interest and support. Thank you very much.

COO of KOLON INDUSTRIES, INC. FnC Org.
KYU-HO LEE

Environment

Upcycling (RECODE)

RECODE is a leading upcycling fashion brand in Korea launched by FnC Organization in 2012, recreating clothes by transforming deadstock fabrics with creative ideas. Clothing stocks that have been three years after launching are generally incinerated, but RECODE uses these stock fabrics, takes them apart and puts together again to produce new fashion items. Designers and skilled tailors manually work on them in the entire process at the brand atelier. Since all clothes are manually produced and the number of clothes in stock is limited, only around 5 pieces of each design are produced with a concept of limited edition.

RECODE has expanded the scope of materials into a variety of collections; Inventory Collection using clothes in stock for more than three years, Industrial Collection using industrial wastes

such as airbags and car seats, and Military Collection employing old military equipment. In recognition of such efforts for craftsmanship, experimentation, and aesthetics, RECODE was recently invited to a number of events at home and abroad including Frieze Art Fair and Capsule Show. As 'sustainable' fashion continues to be in the limelight, RECODE has become a best practice in its ethical consumption and CSR activities as a leading brand in the field. FnC Organization will keep disseminating sustainable culture with diverse projects through collaborations.



▶ 1. RECODE Making Procedure 2. RECODE Atelier 3. RECODE Participating in Seoul Design Festival



▶ 'Evergreen, Pinegreen', photo shoot campaign recycling abandoned items



▶ Zion.T music video as part of 'Noah Butterfly' campaign

KOLON Sports' Animal/Plant Welfare and Noah Project

KOLON Sports has been continuously conducting 'Noah Project' since 2016 as part of endeavors to safeguard and protect endangered animals and plants in Korea.

The first campaign we launched was 'Save Our Bees' under the banner of honeybee protection in S/S season 2016. Capsule Collection with a honeybee motif was produced and some proceeds from the collection were partially donated to successfully breed 3 million native honeybees. For F/W season in the same year, 'Keep Eagle Play' campaign was proceeded to inform that an eagle is a first-grade endangered animal, raising the voice for eagle protection. 10% of the collection's sales profit went to the protection of eagles. The third Noah Project in S/S season 2017 was 'Flower Power' campaign aiming to protect Halla Edelweiss which blooms around the cliff on the top of Halla Mountain in Jeju Island. As part of the campaign, a music video was made participated by an actress Bae Doona and a rapper Dean and 10% of sales revenue from the Capsule Collection inspired by Halla Edelweiss was donated to the Gotjawal Trust of Jeju. The fourth project in S/S season 2018 was called 'Sea Horse Sea Love' campaign with a view to protecting seahorses which are sorted as the second-grade globally endangered species and they were witnessed around Ulleungdo Island. Musician Hayes participated in a music video of the project, and it became a major topic. Fund raised through the campaign was delivered to the Korea Marine Environment

 **3 million**
No. of native honeybees bred

 **10%** of profits
Contribution to eagle protection activities

 **10%** of profits
Donation of proceeds from Halla Edelweiss Capsule Collection to the Gotjawal Trust of Jeju

 **10%** of profits
Contribution to protective activities for marine ecosystem around Ulleungdo Island and sea horses

 **1,000**
Pine tree plantation completed with donation of some of proceeds from Noah Project (first half of 2020)

▶ 'Evergreen, Pinegreen', photo shoot campaign recycling abandoned items

Management Corporation for the protection of Ulleungdo's marine ecosystem and seahorses. For the fifth project, we conducted 'Noah Butterfly' campaign in S/S 2019 to preserve the number of butterflies on the decrease due to global warming. A song and music video were released in collaboration with musician Zion.T, and its objective was to raise awareness about environmental protection of the generation in the 10s and 30s who are particularly familiar with online media. Proceeds from the campaign were delivered to the Institute of Ecology aiming at funding the research on the conservation of endangered butterflies. 'Evergreen, Pinegreen' campaign as the sixth project was conducted in S/S 2020 with the purpose of protecting pine trees, which are also a symbol of KOLON Sports. Profits from it partially went to the plantation for

the restoration of forest in Gangwon province damaged from fire. Since 2020, we have expanded the number of Noah Project campaign from once to twice a year, and eco-friendly materials and techniques have been applied to the entire collection. On top of that, all down jacket products have been filled with goose down certified with RDS (Responsible Down Standard)¹⁾. The overhaul of Noah Project will be the platform for KOLON Sports to apply eco-friendly materials or techniques to 50% of all products by 2023, the year that marks the 50th anniversary of brand launch, and to keep reducing plastics in stores.

¹⁾ RDS is the certification given to 'ethical down' which considers animal welfare throughout the entire process from down production to distribution.

epigram's Endangered Marine Life T-shirt

Lifestyle brand 'epigram' launched a t-shirt with a graphic of endangered marine life printed on it as part of its environmental campaign. Marking the Sea Day on May 31st, epigram made t-shirts with artwork inspired by three endangered marine life; green sea turtle, euplexaura crassa, and red-foot crab, in order to raise awareness of marine life in danger owing to ocean waste and climate change. Since 2020, we contribute to reducing reckless use of resources by utilizing polyester yarn, an eco-friendly material extracted from discarded PET bottles. Besides, epigram encourages environmental protection in daily lives, suggesting various lifestyle products such as handkerchiefs, tumblers, and bamboo toothbrushes made of environmentally friendly materials. Going forward, epigram will gradually expand sustainable fashion.



▶ T-shirt of epigram with 'Our oceans, Our future' slogan printed for endangered marine life protection



► COURONNE's Soft C-Quatre Bag

COURONNE's Eco-friendly 'C-Quatre Bag'

COURONNE, a female handbag brand, rolled out 'Soft C-Quatre Bag' taking advantage of eco-friendly materials. This eco-bag is 100% made of yarn extracted from plastic PET bottles, so it is great for 'good consumption' in line with ethical consumption trend. Starting from this season, we will also take part in the 'good deeds' by using eco-friendly materials in our products including non-leather line. By doing so, we will continuously endeavor to take the lead on the journey toward sustainability.

Archivépké's Recyclable Package

Archivépké makes stylish and comfortable shoes made of flexible soft leather. Since the launch in 2019, Archivépké has been using recyclable eco-bags and shoe boxes instead of paper bags as a package when selling products. In addition, a shoe box is designed to be utilized as a drawer. The fundamental motto of the brand's package design is 'reusable' so that its package is able to be utilized in various ways rather than just being thrown away.

100% Eco-friendly Materials and Techniques Applied to Entire KOLON Sports Noah Project Collection

KOLON Sports has applied eco-friendly materials and skills to all products of Noah Project collection. By making use of recycled yarns extracted from waste PET bottles and waste nets along with organic cotton, we are practicing environmental protection by reducing the amount of waste to be landfilled, thereby curbing carbon dioxide emissions generated during yarn production by about 30%. We also introduced an eco-friendly denim product that saves up to 99% of water consumption by capitalizing on 'ozone washing' technique, which is a washing method that uses oxygen and electricity instead of water to create color without chemicals. Furthermore, we made product packages with eco-friendly materials.

Product tags are made of recycled paper and shopping bags are 100% biodegradable resin so that they can be disposed of together with landfill-type general garbage. Starting from S/S season 2019, KOLON Sports will introduce Noah Project as a culture that communicates the meaning and responsibility of the brand's sustainability. As part of this, we will spare no effort to produce environmentally meaningful items from yarns, production, design, graphic to packaging.

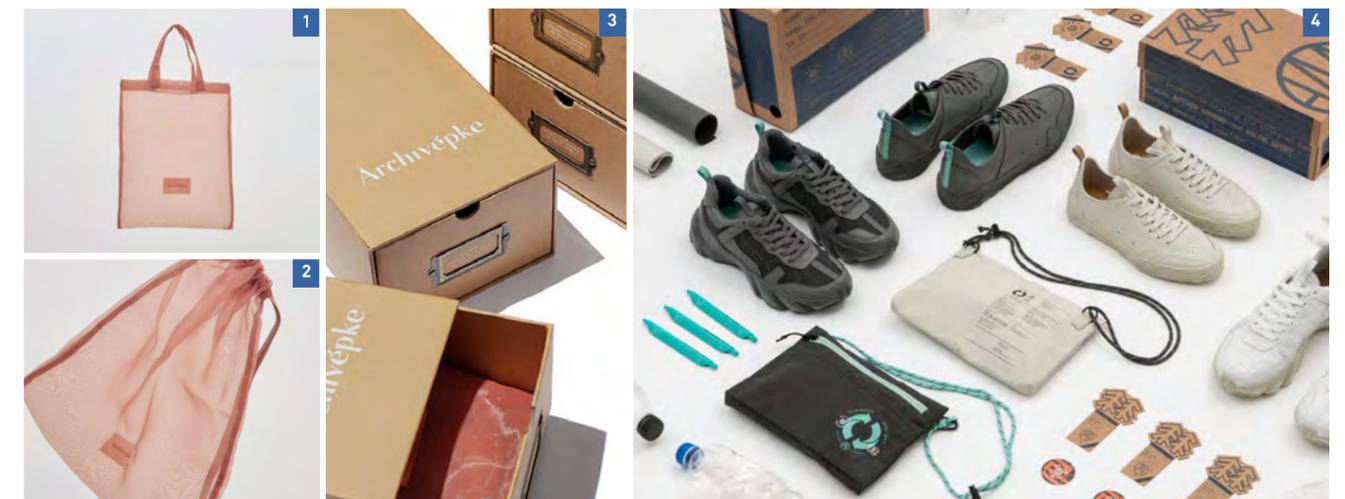
KOLON Sports Launching Recycled Products in collaboration with 'Mother Ground'

In coalition with 'Mother Ground,' the sneakers brand with a design inspired by nature, KOLON Sports launched a sneaker model and a lightweight shoulder bag with a theme of

JAE (再). The sneakers were made of recycled materials for each part. The upper part of the sneakers applied recycled leather and nylon provided by KOLON Sports while PET recycled material was used in shoelace and webbing part at the back of ankle. Recycled leather is produced in a manner that minimizes chemical processing after grinding used or remaining leather into a fiber form. The production throughout the entire process is eco-friendly; for example, the processed water is reused. Thus, we acquired international GRS (Global Recycle Standard) certification. Recycled nylon is produced by reprocessing leftover thread or sewing waste. KOLON Sports will continue to follow the spirit of our brand slogan, 'The Best Way to Nature.'



- 1. Archivépké's recyclable dust bag for shoes
- 2. Archivépké's recyclable dust bag for bags
- 3. Archivépké's recyclable shoe box
- 4. Recycled products in collaboration with Mother Ground





▶ Biodegradable hangers within about 180 days after burying will be firstly used in Gwanggyo Galleria store, will be further expanded into other shops.

Changes toward Eco-friendly Stores

KOLON Sports is bringing eco-friendly changes to stores on top of our products, starting with Gwanggyo Galleria store opened in March 2020. Through minimizing the use of plastics and applying environmentally friendly finishing materials and natural materials, we would like to deliver the value we pursue. For instance, we produce hangers with corn starch extract and reuse mannequins colored with eco-friendly paints. Display equipment such as shelves is also designed to be reused after dismantling and assembling them again using wrench and bolts. The transformation into eco-friendly stores will gradually expand to other stores.

Eight of Brands' Upcycling Sweatshirt Launched¹⁾

A total of 8 brands including KOLON Sports, RECODE, SERIES, CAMBRIDGE MEMBERS, CUSTOMELLOW, HENRY COTTON's, epigram, and S'LOW jointly launched eco-friendly upcycling sweatshirt under the theme of a valuable thing for the environment called 'Our 24 Hours'. The product used recycled yarn extracted from stick or PET, and each brand presented different designs using three materials representing recyclable material including paper, plastic, and aluminum cans. In addition, a video with a theme of 'perfect recycling' was made to explain the way to dispose of recyclable waste, delivering messages about the environment to customers.

¹⁾ Ratio of production quantity to sales was 50%. (1,570 pieces produced / 784 pieces sold in total)

Items Using Stock Fabrics and Materials of SUECOMMA BONNIE

SUECOMMA BONNIE produced 2,600 shoehorns and 2,300 mini bags as gifts for customers using leftover stock leather after shoe production.



- ▶ 1. Launch of upcycling sweatshirts 'perfect recycling' campaign video
- ▶ 2. SUECOMMA BONNIE's mini-bag and shoe horn

Art / Women

SERIES' 'Warm Heart Film Fund'

SERIES has been continuously running a Warm Heart campaign to support the underprivileged culture and the art industry since 2011. Under the campaign, SERIES has sponsored various fields including Jecheon International Music Film Festival, Cinematech Renewal Project, short film production in Jeonju International Film Festival, Another Way Of Seeing Foundation for artists and visually impaired people, collaboration with natural indigo dyeing artisans, eco-friendly design fair, cultural and art activities of intellectually handicapped artists. In 2019, we donated the profit from a product collaborating with artist Naeol to Compassion, contributing to the cultivation of artistic talents such as painting and music for children around the world suffering from poverty. Marking the 10th anniversary in 2020, we expanded the operation of Warm Heart Film Fund to facilitate diverse films while supporting domestic independent short films and short

documentaries at the same time. KRW 10 million for the total production cost of a couple of selected works will be sponsored. We are also considering the support for mentoring from expert groups and promotion and marketing cost. FnC Organization will further assist marginalized pop culture artists in their activities through Warm Heart Film Fund.

RECODE & COURONNE's Support for Independence of Single Moms

RECODE signed an MOU with social welfare organization, 'Eastern Social Welfare Society' and offered jobs to single moms so that they can work as instructors at the upcycling workshop for their consistent economic activities. As hand-made workshop instructors, single moms contributed to spreading the value of upcycling by teaching classes in the workshop operated by RECODE.

COURONNE, which marked the 10th anniversary of the brand launch in 2019, helped single moms stand on their own as well. As part of the 10th anniversary campaign under the theme of 'We are Stephanie,' we brought celebrities to do photoshoots. The cost of celebrity model fees and partial sales profit of Stephanie were donated. Also, COURONNE donated shopper bags to single moms with babies for bringing diapers around and gave out daily bags for working single moms.

▶ T-shirts created in collaboration with intellectually disabled artists in 'Rawside', a non-profit art group



▶ Support for Independence of Single Moms

Supporting Local Communities and Vulnerable Class

Supporting Local Community by epigram

'epigram' is a lifestyle brand that focuses not only on clothing but also on communicating with customers by merging everyday life around us into projects. Since 2017, epigram has introduced beautiful small cities in Korea such as Jeju, Gyeongju, and Gwangju in seasonal pictorials. Local projects for win-win growth with regional communities are also being carried out every season. Among them, 'Almost Home Stay,' a program to experience living in a small town, particularly won praise for its effort for shared growth with local community while maintaining the characteristic of the brand. 'Almost Home Stay' began in Gochang, Jeollabuk-do in 2019 followed by Cheongsong, Gyeongsangbuk-do. Currently, it is in Hadong, Gyeongsangnam-do for long-period operation. Besides, the brand store located in Gyeongridan-gil Road sells lifestyle products linked to local small towns by reducing the ratio of clothes in the store, expanding opportunities for coexistence with local regions. Going forward, epigram will continue to convey hidden beauty and story of small towns in Korea.

▶ epigram photography shot in Cheongsong, Gyeongsangbuk-do (2019)



Providing Clothes Worth KRW 250 million to Gangwon Area Damaged from Fire by FnC Organization

We supported residents and firefighters in Gangwon-do area damaged from fire with emergency relief supplies worth about KRW 250 million. Clothes including 1,200 pieces of functional t-shirts for men and women, 500 outer clothes, 1,000 pairs of socks from KOLON Sports and HEAD were urgently supplied to Sokcho City Hall, while emergency relief goods were offered to displaced people staying at shelters due to fire, firefighters and volunteers.

Supporting the Vulnerable Children & Teens by SUECOMMA BONNIE & Archivépke

'SUE COMMA YOU' is a campaign meaning SUECOMMA BONNIE and you, and was conducted with Song Hye-kyo, the brand muse. In collaboration with Song Hye-kyo, we launched boots called 'KYO' that reflects the design and fit she desires to wear, and produced sneakers with partial profit from it to donate to the Korea Youth Counselling & Welfare Institute. As an affiliated organization of the Ministry of Gender Equality and Family, the institution has operated programs for the children outside of schools who cannot afford to study for financial reasons. The project in collaboration with Song Hye-kyo was the first social contribution activity of SUECOMMA BONNIE, and we plan to continue to carry on projects so that we can give back to society as much as we have been beloved.

Archivépke formed a CSR épke crew with diverse artists and carried out a relay donation campaign called 'Learn and Share.' In coalition with artists in Seoul, we provided the cost for operating classes while they donated their

talent and the space for the class. The entire class tuition was donated to the Community Chest of Korea. In addition, we donated the entire proceeds earned through our signature product in F/W season 2019, 'épke flat (mint toothpaste)' as well. The contribution went to young patients who could not get treatment although their disease is curable owing to their dire circumstances. Archivépke will continue the relay donations by operating classes.

Helping International Refugees by RECODE

RECODE has been working on various projects every year in cooperation with 'Refugee pNan'¹⁾ which is an organization to lend support to international refugees since 2017. Through the first project called RE:light, domestic refugees helped overseas refugees. RECODE gave sewing training to refugees living in Korea, and the upcycling fabric cabinets and play balls made by them were delivered to overseas refugee camps. For the second project, we invited a refugee performance team to a remix party to have cultural exchanges with the aim of better understanding the culture of refugees. Through these projects, refugees having great skills were given opportunities to become designers and participated in the production of accessories such as parachute bracelets and card wallets. RECODE has been continuously engaged in collaboration activities that can nurture refugees' talents and give them a sense of accomplishment. Furthermore, at the end of 2019, we gifted 50 padded jackets to refugees in collaboration with KOLON Sports so that they can keep warm in winter.

1) Refugee pNan: a non-profit organization that provides shelters for international refugees



▶ 1. RECODE Supporting international refugees 2. Loading relief supplies to be delivered to areas affected by wildfires in Gangwon-do 3. SUECOMMA BONNIE's Campaign 4. Archivépke's relay donation campaign 'Learn and Share' 5. Local food event 'epigram X Market Lazy Heaven'

Response to COVID-19

Coronavirus Disease-19 (COVID-19) first emerged in December 2019 and spread across the world. The World Health Organization (WHO) declared the COVID-19 outbreak a pandemic (an epidemic occurring worldwide), which is the highest level of alarm in terms of infectious diseases. At that time, the number of confirmed cases around the world exceeded 120,000 in more than 110 countries. KOLON Industries recognized COVID-19 a grave corporate risk as well as a global disaster at the early stage. Thus, we have responded to the crisis together by joining hands with local communities suffering from the spread of COVID-19, supporting national-level measures.

Donation of MB Filters (Core Material of Masks)



2 million pcs

Free Supply of Mask Core Parts

In the face of the national disaster brought by the outbreak of COVID-19, KOLON Industries produced MB (Melt Blown) filter, a core part of masks, thereby contributing to the alleviation of mask supply shortage. Due to the soaring demand, domestic mask manufacturers were having a great deal of trouble in production owing to the short supply of materials, and it led to the situation where the general public have difficulty in securing masks. Against this



▶ Providing clothes for public health doctors dispatched to Daegu

backdrop, KOLON Industries produced 2 million filters by transforming a pilot facility for medical MB filter to mask MB filter. Then, those filters were supplied to mask manufacturers free of charge after consultation with the government.

Providing Clothing for Public Health Doctors Dispatched to Daegu

FnC Organization provided clothing items worth KRW 200 million in total for public health doctors who were struggling to prevent the spread of COVID-19 in the front line. Following the close consultation with the Korean Association of Public Health Doctors, we decided to offer functional t-shirts and comfortable pants that are not tight, aiming at improving the working environment of public health doctors who exert themselves to restrain the spread of COVID-19. Accordingly, we swiftly secured 2,000 pieces of quick-dry functional t-shirts from KOLON Sports and 887 pairs of pants from the casual brand, Hideout, and delivered them to public health doctors dispatched to Daegu.

Distributing Support Packages

With a spirit of having more compassion and wisdom while sharing difficulties, KOLON Social Volunteer Group produced a support package containing hygiene products and psychotherapeutic items with donations from employees, and delivered them to the underprivileged children in 40 regional child centers. Also, when the number of blood donors for blood transfusion had been highly insufficient due to the spread of COVID-19, KOLON Industries additionally conducted a blood donation campaign at the company level. Furthermore, we donated functional t-shirts and pants to Daegu City for medical staff who sweat a lot due to the thick layers of equipment they wear such as protective clothing, circulating pump gear, and a mask.



▶ President Moon Jae-in's visit to the Gumi Plant



Providing Masks for Overseas Customers

No one can escape the strong grip of the COVID-19 around the world. When the mask exports were strictly limited as it became a strategic item, we found a way to deliver masks to European customers who were severely damaged by COVID-19. Masks are essential to the prevention of the disease and the alleviation of the damages. So customers receiving masks from us were deeply moved by our sincere efforts. This is one of the examples of our various endeavors to prevent and curb the damages from COVID-19 in Korea and beyond. In recognition of these efforts, President Moon Jae-in visited the company and encouraged us on April 1st, 2020. The President acknowledged KOLON Industries as a best practice for overcoming COVID-19. We will never settle for the current praise, yet will actively participate in through preventive actions against COVID-19, thereby sharing the value of adding, multiplying, and sharing with all the people.

Supporting Small Business Owners and Local Communities

In order to support local communities and small business owners taking a big hit from the COVID-19, the labor union of KOLON Industries distributed Onnuri gift certificates to employees for foundation day gifts worth around KRW 1 billion on a foundation day. Since the major business sites of KOLON Industries are located in Gumi, Gyeongsan, and Gimcheon in Daegu/Gyeongsangbuk-do particularly hit hard by the COVID-19, this support for regional economic revitalization is expected to be of great help. In addition to the support at the company level, employees of KOLON Industries voluntarily donated some of given certificates to local organizations.



To minimize environmental impact and use of natural resources, spot color and coating are avoided, and soybean oil is used for printing process.